

Message Text

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DRAFTED BY:EB/IFD/OMA:TAFORBORD

APPROVED BY:EB/IFD/OMA:JABWINDER

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FM SECSTATE WASHDC

TO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY OTTAWA

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 110526

THE FOLLOWING REPEAT STATE 110526 INFO ADANA ISTANBUL IZMIR
DATED MAY 06:

QTE:C O N F I D E N T I A L STATE 110526

FOLLOWING REPEAT STATE 110526 ACTION ANKARA, PARIS, BONN,
AND LONDON DATED APRIL 3, 1978.

QUOTE: C O N F I D E N T I A L STATE 110526

USOECD ALSO FOR EMBASSY

E.O. 11652: GDS

TAGS: EFIN, TU

SUBJECT: TURKISH REACTION TO FORMATION OF AD HOC GROUP
ON DEBT OF OECD CONSORTIUM

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1. AT HIS REQUEST, TURKISH FINANCE MINISTER MUEZZINOGLU
MET WITH UNDERSECRETARY COOPER APRIL 30 DURING THE
INTERIM COMMITTEE MEETING IN MEXICO CITY.MRS. OYMEN
OF TURKISH FINANCE MINISTRY AND WINDER (EB/OMA) SAT IN
ON THE MEETING.

2. MUEZZINOGLU SAID HE WAS EXTREMELY DISTRESSED TO LEARN

THAT AGREEMENT HAD BEEN REACHED AT THE APRIL 28 INFORMAL MEETING OF THE OECD CONSORTIUM TO ESTABLISH A SEPARATE AD HOC GROUP TO CONSIDER TURKEY'S REQUEST FOR A DEBT RESCHEDULING. HE SAID HE WAS PARTICULARLY DISTURBED THAT THE TERMS OF REFERENCE OF THE GROUP STATED EXPLICITLY THAT STANDARD CREDITOR CLUB RULES WOULD APPLY TO THE GROUP'S WORK. IN HIS VIEW THE ELECTION OF A FRENCH CHAIRMAN COMBINED WITH THE EXPLICIT REFERENCE TO CREDITOR CLUB RULES AND THE FACT THAT THE MEETING WOULD TAKE PLACE IN PARIS MADE THE GROUP NO DIFFERENT FROM A MEETING OF A PARIS CLUB. HE RAISED THE QUESTION WHETHER TURKEY WOULD BE WILLING TO ATTEND SUCH A GROUP.

3. MUEZZINOGLU REITERATED HIS POSITION THAT HE WANTED THE CONSORTIUM ITSELF TO BE THE FORUM FOR RESCHEDULING TURKEY'S DEBT AND THAT HE DID NOT WANT A CREDITOR CLUB. HE SAID HE WAS OPPOSED TO THE ESTABLISHMENT OF A SERIES OF AD HOC GROUPS WITHIN THE CONSORTIUM. HE NOTED THAT THE 1965 RESCHEDULING FOR TURKEY HAD BEEN CONDUCTED BY THE CONSORTIUM ITSELF AND HE WANTED THE SAME TREATMENT NOW. HE SAID IT WAS VERY IMPORTANT FOR HIM TO BE ABLE TO SAY THAT THE CONSORTIUM WAS DOING THE RESCHEDULING AND HE IMPLIED THAT HE MIGHT NOT ATTEND A MEETING OF THE AD HOC GROUP.

4. UNDERSECRETARY COOPER RESPONDED THAT HE HAD EXPLAINED
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THE RATIONALE OF OUR POSITION ON THE FORMATION OF AN AD HOC GROUP OF THE CONSORTIUM TO TURKISH AMBASSADOR ESENBEL IN WASHINGTON LAST WEEK. HE SAID THAT WE FELT IT WAS IMPORTANT TO PRESERVE THE MODALITIES OR CONVENTIONS OF CREDITOR CLUB OPERATIONS EVEN THOUGH THE FRAMEWORK MAY VARY FROM CASE TO CASE. HE SAID HE FELT THAT THE MECHANISM OF AN AD HOC GROUP PROTECTED THE INTERESTS OF CREDITOR COUNTRIES WHILE AT THE SAME TIME IT MET THE TURKISH REQUEST THAT THE RESCHEDULING TAKE PLACE IN THE OECD CONSORTIUM. HE AGREED THAT THE ELECTION OF A FRENCH CHAIRMAN AFFECTED THE IMAGE OF THE GROUP SOMEWHAT BUT HE SAID WE HAD TALKED TO THE GERMANS AND THEY WEREN'T INTERESTED IN CHAIRING THE AD HOC GROUP. HE ALSO AGREED THAT THE EXPLICIT REFERENCE TO CREDITOR CLUB RULES IN THE TERMS OF REFERENCE OF THE GROUP WAS UNFORTUNATE.

5. WITH REGARD TO THE ROLE AND FUNCTION OF THE OECD CONSORTIUM ITSELF, MUEZZINOGLU SAID HE WANTED IT TO FOCUS ON THREE AREAS: (1) RESCHEDULING OF SHORT-TERM DEBT, BOTH PUBLIC AND PRIVATE; (2) THE REOPENING AND EXPANSION OF EXPORT CREDIT LINES; AND (3) PROJECT LOANS.

HE SAID TURKEY DID NOT WANT TO EXPAND THE MEMBERSHIP BEYOND OECD COUNTRIES SINCE THAT WOULD CREATE POLITICAL DIFFICULTIES. HE SAID TURKEY WOULD DEAL WITH THE ARABS ON A BILATERAL BASIS. HE SAID HE DID NOT WANT THE CONSORTIUM TO HAVE A PURELY MONITORING ROLE.

6. WINDER EXPLAINED THAT IT WAS IMPORTANT FOR US TO SEPARATE THE DISCUSSION OF REOPENING EXPORT CREDIT FINANCING FACILITIES FROM THE DEBT RESCHEDULING EXERCISE. HE SAID IT WAS PREFERABLE TO DISCUSS NEW EXPORT CREDITS IN THE CONTEXT OF A DISCUSSION OF SPECIFIC PROJECTS IN A LATER PHASE OF THE CONSORTIUM'S WORK AFTER THE RESCHEDULING HAD BEEN COMPLETED.

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7. UNDERSECRETARY COOPER EXPLAINED THAT THE CONSORTIUM HAD BEEN ESTABLISHED TO COORDINATE EXTERNAL ASSISTANCE TO TURKEY FROM THE MAJOR DONOR COUNTRIES. THE FORM THE CONSORTIUM TOOK WAS DETERMINED BY THE HISTORICAL CIRCUMSTANCES AT THAT TIME. THE COMPOSITION AND NATURE OF THE INTERNATIONAL FINANCIAL COMMUNITY HAS CHANGED SINCE THE LATE 50'S. COORDINATION OF ALL EXTERNAL PROJECT ASSISTANCE IS STILL IMPORTANT, HOWEVER. THEREFORE WE THINK IT IS IMPORTANT TO FIND SOME MECHANISM WHICH INCLUDES ALL DONORS IN THE COORDINATION PROCESS.

8. ON THE SUBJECT OF PRIVATE DEBT, MUEZZINOGLU SAID HE WAS OPTIMISTIC. HE SAID HE WAS STOPPING IN NEW YORK, LONDON AND FRANKFURT FOR TALKS WITH THE BANKS ON THE WAY HOME TO ANKARA. CHRISTOPHER UNQUOTE CHRISTOPHER

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